

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
ACCOUNTANTS' REVIEW REPORT

- : -

DECEMBER 31, 2005

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ROBISON, HILL & CO.
A PROFESSIONAL CORPORATION

Certified Public Accountants

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Accountants' Review Report

Board of Trustees
Tooele Valley Mosquito Abatement District
Lake Point, Utah

We have reviewed the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Tooele Valley Mosquito Abatement District, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Tooele Valley Mosquito Abatement District.

A review consists principally of inquiries of Entity personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 8, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Respectfully submitted,

Robison, Hill & Co.
Certified Public Accountants

Salt Lake City, Utah
July 10, 2006

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDING DECEMBER 31, 2005

As management of the Tooele Valley Mosquito Abatement District (TVMAD), we offer readers of the TVMAD financial statements this narrative overview and analysis of the financial activities of the TVMAD for the fiscal year ending December 31, 2005.

FINANCIAL HIGHLIGHTS

- The assets of the TVMAD exceeded its liabilities at the close of the most recent fiscal year by \$585,271 (net assets). This compares to the previous year when assets exceeded liabilities by \$515,012. Of the current increase, \$509,567 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the TVMAD's governmental funds reported combined ending fund balances of \$506,316. Approximately 100% of this total amount, \$506,316, are available for spending at the governments discretion (unreserved, undesignated fund balance).
- At the end of 2005, the TVMAD had \$0 in dedicated reserves in the Capital Projects Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the TVMAD's basic financial statements. The TVMAD's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designated to provide readers with a broad overview of the TVMAD's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the TVMAD's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the TVMAD is improving or deteriorating.

The statement of activities presents information showing how the TVMAD's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the government-wide financial statements report functions of the TVMAD that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the TVMAD include mosquito abatement services.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The TVMAD, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the TVMAD are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The TVMAD maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund, both of which are considered to be major funds.

The TVMAD adopts an annual appropriated budget for both of its fund types. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the TVMAD, assets exceeded liabilities by \$585,271 at the close of 2005.

Approximately 13% of the TVMAD's net assets reflect its investment in capital assets (e.g., land, buildings, improvements, and equipment and vehicles). The TVMAD uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Assets December 31		2004	2005
Current and other assets		\$464,125	\$524,700
Capital assets		<u>82,435</u>	<u>75,704</u>
Total Assets		<u>\$546,560</u>	<u>\$600,404</u>
Accounts payable & accrued expenses		\$ 22,244	\$ 15,133
Deferred revenue		<u>9,304</u>	<u>-</u>
Total Liabilities		<u>\$ 31,548</u>	<u>\$ 15,133</u>
Net Assets:			
Invested in capital assets		\$ 82,435	\$ 75,704
Unrestricted		<u>432,577</u>	<u>509,567</u>
Total Fund Balance/Net Assets		<u>\$515,012</u>	<u>\$585,271</u>

The balance of unrestricted net assets (\$509,567) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the TVMAD is able to report positive balances in both categories of net assets.

Governmental activities. The District's net assets increased by \$70,259 during the current fiscal year. This increase can be attributed to the carryover of money earmarked towards a pesticide storage facility that was anticipated in 2004 and increased interest on this money. This was a decrease from the 2004 increased assets of \$91,353. Property tax revenue declined in 2005 because of changes in when tax revenues are collected and attributed to a particular year.

**TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Assets
December 31,

	Governmental Activities	
	2004	2005
General Revenues:		
Property Tax	\$285,148	\$254,336
Interest	5,119	13,628
Total Revenues	<u>\$290,267</u>	<u>\$267,964</u>
Expenses		
Payroll and Benefits	\$118,314	\$126,350
Operational Expenses	64,363	55,885
Capital Outlay	-	-
Depreciation	16,237	15,470
Total Expenses	<u>\$198,914</u>	<u>\$197,705</u>
Increase in net assets	\$ 91,353	\$ 70,259
Net assets - beginning	<u>\$423,659</u>	<u>\$515,012</u>
Net assets - ending	<u><u>\$515,012</u></u>	<u><u>\$585,271</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the TVMAD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the TVMAD's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the TVMAD's financing requirements, in particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the TVMAD's governmental funds reported combined ending fund balances of \$506,316 an increase of \$73,740, in comparison with the prior year. Approximately 100% of this total amount or \$506,316 constitutes unrestricted, undesignated fund balance, which is available for new spending at the government's discretion.

**TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Financial Analysis of the Government's Funds (continued)

The general fund is the chief operating fund of the TVMAD. At the end of the current fiscal year, unreserved, undesignated (and total) fund balance of the general fund was \$352,872.

The fund balance of the TVMAD's general fund increased by \$68,483 during the current fiscal year.

General Fund Budgetary Highlights

No changes were made from the original budget and the final budget. However, \$250,000 was earmarked and rolled forward toward the construction of a pesticide storage building and site improvements that are progressing to begin in 2006.

Capital Assets

The TVMAD's investment in capital assets as of December 31, 2005 amounts to \$75,704 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles. The total decrease in the TVMAD's investment in capital assets for the current fiscal year was \$6,732.

A Dell Dimension 8400 computer was added .

Capital Assets
December 31, 2005

Land	\$ 12,000
Buildings	94,179
Equipment/Vehicles	130,537
Improvements	20,712
Less Depreciation	<u>(181,724)</u>
Total	<u>\$ 75,704</u>

**TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2005**

Economic Factors and Next Year's Budget and Rates

The construction of a pesticide storage facility will likely begin in 2006. About \$300,000 will be needed to pay for this project but the district should be able to absorb this cost without impacting the daily operations of mosquito surveillance and control. With the Wal-Mart Distribution Center contributing property taxes in 2006 the certified tax rate should fall. Gasoline costs and construction costs could put a strain on the 2006 budget but no tax increases are expected. The cost of the pesticide storage facility will significantly reduce the operating fund balance and could possibly affect cash flow for the next few years if revenues are stagnate and costs of labor and materials increase.

West Nile virus surveillance will continue and will probably be permanent throughout the foreseeable future. Should West Nile virus increase its intensity the district would likely need to expand aerial control of adult mosquitoes. Currently there is no contingency for this.

Requests for Information

This financial report is designed to provide a general overview of the TVMAD's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manager, PO Box 788, Grantsville, UT 84029.

TOOELE VALLEY MOSQUITIO ABATEMENT DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Governmental Activities	Totals
ASSETS:		
Cash	\$ 518,808	\$ 518,808
Property tax receivable	5,892	5,892
Capital assets		
Land	12,000	12,000
Buildings	94,179	94,179
Improvements	20,712	20,712
Equipment and vehicles	130,537	130,537
Less: accumulated depreciation	(181,724)	(181,724)
 Total Assets and other debits	 <u>\$ 600,404</u>	 <u>\$ 600,404</u>
 LIABILITIES:		
Accounts payable & accrued expenses	\$ 15,133	\$ 15,133
 Total Liabilities	 <u>15,133</u>	 <u>15,133</u>
 NET ASSETS:		
Invested in capital assets, net of related debt	75,704	75,704
Unrestricted	509,567	509,567
Total Net Assets	<u>\$ 585,271</u>	<u>\$ 585,271</u>

See accompanying notes and accountant's report.

TOOELE VALLEY MOSQUITIO ABATEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Functions / Programs	Expenses	Program	Net (Expenses)
		Revenues	Revenue and
		Charges for	Changes in
		Services	Net Assets
			Governmental
			Activities
Governmental activities:			
Board Expense	\$ 2,716		\$ (2,716)
Liability Insurance	7,877		(7,877)
Meetings and Conferences	4,983		(4,983)
Other	2,943		(2,943)
Payroll & Benefits	126,350		(126,350)
Pesticides	22,959		(22,959)
Services	4,890	1,060	(3,830)
Supplies and materials	1,502		(1,502)
Utilities	2,763		(2,763)
Vehicles & Field Equipment Maintenance	6,312		(6,312)
Depreciation	15,470		(15,470)
Total Governmental Activities	\$ 198,765	\$ 1,060	\$ (197,705)
General Revenues			
Taxes			\$ 254,336
Interest			13,628
Total General Revenues			267,964
Change in Net Assets			70,259
Net Assets - Beginning			515,012
Net Assets - Ending			\$ 585,271

See accompanying notes and accountant's report.

TOOELE VALLEY MOSQUITIO ABATEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND OTHER DEBITS			
Cash	\$ 365,364	\$ 153,444	\$ 518,808
Property tax receivable	5,892		5,892
Total Assets and other debits	<u>\$ 371,256</u>	<u>\$ 153,444</u>	<u>\$ 524,700</u>
LIABILITIES			
Accounts payable & accrued expenses	\$ 15,133	\$ -	\$ 15,133
Deferred revenue	3,251	-	3,251
Total Liabilities	<u>18,384</u>	<u>-</u>	<u>18,384</u>
FUND BALANCES			
Unreserved	<u>352,872</u>	<u>153,444</u>	<u>506,316</u>
Total Fund Balances	<u>352,872</u>	<u>153,444</u>	<u>506,316</u>
Total Liabilities & Fund Balances	<u>\$ 371,256</u>	<u>\$ 153,444</u>	<u>\$ 524,700</u>

See accompanying notes and accountant's report.

TOOELE VALLEY MOSQUITIO ABATEMENT DISTRICT
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2005

Fund Balances - total governmental funds		\$ 506,316
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 257,428	
Less accumulated depreciation	<u>(181,724)</u>	75,704
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities		3,251
Net Assets of Governmental Activities		<u><u>\$ 585,271</u></u>

See accompanying notes and accountant's report.

TOOELE VALLEY MOSQUITIO ABATEMENT DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 251,085	\$ -	\$ 251,085
Services	1,060	-	1,060
Interest income	8,371	5,257	13,628
Total Revenue	<u>260,516</u>	<u>5,257</u>	<u>265,773</u>
Expenditures:			
Board Expense	2,716	-	2,716
Liability Insurance	7,877	-	7,877
Meetings and Conferences	4,983	-	4,983
Other	2,943	-	2,943
Payroll & Benefits	126,350	-	126,350
Pesticides	22,959	-	22,959
Services	4,890	-	4,890
Supplies and materials	1,502	-	1,502
Utilities	2,763	-	2,763
Vehicles & Field Equipment Maintenance	6,312	-	6,312
Capital Outlay	8,738	-	8,738
Total Expenditures	<u>192,033</u>	<u>-</u>	<u>192,033</u>
Net Change In Fund Balances	<u>68,483</u>	<u>5,257</u>	<u>73,740</u>
Fund Balance, Beginning of Year	<u>284,389</u>	<u>148,187</u>	<u>432,576</u>
Fund Balance, End of Year	<u>\$ 352,872</u>	<u>\$ 153,444</u>	<u>\$ 506,316</u>

See accompanying notes and accountant's report.

TOOELE VALLEY MOSQUITIO ABATEMENT DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2005

Net Change in Fund Balances - total governmental funds \$ 73,740

Amounts reported for governmental activities in Statement of Net Assets
 are different because:

Revenues in the Statement of Activities that do not provide current
 financials resources are not reported as revenues in the funds. 3,251

Governmental funds report capital outlays as expenditures. However,
 in the Statement of Activities, the cost of those assets is depreciated
 over their estimated useful lives:

Expenditures for capital assets	\$ 8,738	
Less current year depreciation	<u>(15,470)</u>	<u>(6,732)</u>

Change in Net Assets of Governmental Activities \$ 70,259

See accompanying notes and accountant's report.

TOOELE VALLEY MOSQUITIO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Taxes	\$ 275,000	\$ 275,000	\$ 251,085	\$ (23,915)
Services	3,850	3,850	1,060	(2,790)
Interest income	3,000	3,000	13,628	10,628
Total Revenue	281,850	281,850	265,773	(16,077)
Expenditures:				
Board Expense	2,750	2,750	2,716	(34)
Liability Insurance	8,000	8,000	7,877	(123)
Meetings and Conferences	9,000	9,000	4,983	(4,017)
Other			2,943	2,943
Payroll & Benefits	120,000	120,000	126,350	6,350
Pesticides	25,000	25,000	22,959	(2,041)
Services	28,500	28,500	4,890	(23,610)
Supplies and materials	3,000	3,000	1,502	(1,498)
Utilities	3,000	3,000	2,763	(237)
Vehicles & Field Equipment Maintenance	5,000	5,000	6,312	1,312
Capital Outlay	227,600	227,600	8,738	(218,862)
Total Expenditures	431,850	431,850	192,033	(239,817)
Excess of revenue over (under) expenditures	(150,000)	(150,000)	73,740	223,740
Other Financing Sources:				
Transfers from other Funds	150,000	150,000	-	(150,000)
Net Change In Fund Balances	-	-	73,740	73,740
Fund Balance, Beginning of Year	432,576	432,576	432,576	-
Fund Balance, End of Year	\$ 432,576	\$ 432,576	\$ 506,316	\$ 73,740

See accompanying notes and accountant's report.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

A. Reporting Entity

The Tooele Valley Mosquito Abatement District (The District) was formed by authorization of the Tooele County Commission and by vote of participants in the District. The District includes the municipalities of Grantsville, Stockton, Lake Point and Lincoln.

The District provides mosquito control by a comprehensive program of water management, source reduction, larviciding and limited aerial spraying.

There are not component units included in the District and the District is not reported as a component unit.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are generally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applications that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

1. The *general fund* is the district's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *capital projects fund* accounts for the resources required for major capital improvements of the District.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Reconciliation of Government-Wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the governments-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By the first regular scheduled board meeting in November, a proposed operating budget is submitted for the year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the Board of Trustees during the December board meeting.
4. The Board of Trustees approves the budget. The manager is authorized to transfer budget amounts between expenditure categories within the budget. The District must hold a hearing to alter the total expenditures of the general fund.
5. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
6. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

F. Cash and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005 and 2004, none of the District's bank balances were uninsured and uncollateralized.

Credit Risk - Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (continued)

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), and external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of December 31, 2005 and 2004, the District had investments of \$516,212 and \$248,679 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Restricted Cash - Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America: or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements: or certain other investments.

Cash and investments at December 31, 2005 and 2004 consisted of the following amounts:

	Carrying Amount	Market Amount
State Treasurer's Investment Pool	\$ 516,212	\$ 516,212
Cash in bank	2,596	2,596
Total Cash	<u>\$ 518,808</u>	<u>\$ 518,808</u>

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

G. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurements focus.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. The District has no public domain ("infrastructure") general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. This account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

H. Compensated Absences

Accumulated unpaid vacation amounts are accrued when incurred in governmental funds (using the modified accrual basis of accounting) in accordance with GASB. As of December 31, 2005 there were no unpaid vacation amounts that have been accrued.

I. Property Tax

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 15th and are due November 30th and become delinquent after that date. Tooele County is responsible for the assessment and collection of property taxes. The District's tax rate for 2005 was .380 mills. The District's property tax revenues when levied are measurable. They become available when they are due as long as they are received by the District within 60 days after the year end. Amounts that are measurable but not available are recorded as deferred revenues.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

J. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - FACILITIES

In February 1980, the District entered into an interlocal cooperative agreement with Tooele County to finance the construction of a warehouse, yard and office facility at Lake Point, Utah. The costs of construction were advanced by Tooele County and repaid by the District. The agreement requires a one-year notice of intent to sell the property and the right of first refusal.

NOTE 3 - TOOELE COUNTY SERVICES

District employees are considered employees of Tooele County for payroll tax reports and retirement funding purposes for 2005. Payroll for the District is processed by Tooele County. Payroll costs, including payroll taxes and employer-contributions to the State Employees Retirement Plan, are billed to the District on a monthly basis.

NOTE 4 - RETIREMENT PLANS

The State Employees Retirement Plan of Tooele County includes the District contributions. Tooele County participates in the contributory retirement system, the noncontributory retirement system, a 401(k) plan, and a 457 plan. The District participates in the noncontributory retirement system and the 401(k) plan, by making contributions on behalf of full-time employees.

Plan Description. The District contributes to the Local Governmental Noncontributory Retirement System employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The District contracts with Tooele County for payroll services. The figures for the District are included with those of Tooele County. The District's share was approximately .825% of the totals.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 4 - RETIREMENT PLANS (continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office, and the related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the Local Governmental Contributory and Non-contributory Retirement System of the District are required to contribute (all or part may be paid by the employer) 11.09% from January through December of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the Noncontributory Retirement System for December 31, 2005, 2004, and 2003 were \$6,418, \$5,517 and \$4,650 respectively.

The contributions by the District for the 2005 calendar year were paid by the due dates or within 30 days thereafter. The total payroll amounted to \$99,252 of which \$60,017 was subject to retirement contributions for the year.

The Tooele County also Sponsors a 401(k) deferred compensation arrangement for all eligible employees. The District made contributions of \$2,396, \$2,819 and \$2,847 to this plan for the year ended December 31, 2005, 2004 and 2003 respectively.

TOOELE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 5 – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Construction in progress	<u>8,167</u>	<u>6,750</u>	<u>-</u>	<u>14,917</u>
Total capital assets not being depreciated	<u>20,167</u>	<u>6,750</u>	<u>-</u>	<u>26,917</u>
Capital assets being depreciated:				
Buildings	79,262	-	-	79,262
Building Improvements	20,712	-	-	20,712
Equipment and Vehicles	<u>128,549</u>	<u>1,988</u>	<u>-</u>	<u>130,537</u>
Total capital assets being depreciated	<u>\$ 228,523</u>	<u>\$ 1,988</u>	<u>\$ -</u>	<u>\$ 230,511</u>
Less accumulated depreciation for:				
Buildings	\$ (54,634)	\$ (2,688)	\$ -	\$ (57,322)
Building Improvements	(14,696)	(577)	-	(15,273)
Equipment and Vehicles	<u>(96,924)</u>	<u>(12,205)</u>	<u>-</u>	<u>(109,129)</u>
Total accumulated depreciation	<u>(166,254)</u>	<u>(15,470)</u>	<u>-</u>	<u>(181,724)</u>
Total capital assets being depreciated, net	<u>62,269</u>	<u>(13,482)</u>	<u>-</u>	<u>48,787</u>
Capital Assets, Net	<u>\$ 82,436</u>	<u>\$ (6,732)</u>	<u>\$ -</u>	<u>\$ 75,704</u>